

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** April 22, 2008 (As amended April 15, 2008 by the House Sales and Income Tax Subcommittee)

**Bill Number:** H.B. 4378

**Author:** Miller

**Committee Requesting Impact:** House Ways & Means Committee

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### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Article 9 to Chapter 10, Title 4 so as to provide for the imposition of a sales and use tax not to exceed one percent by referendum in a municipality for a specific period of time and for specific projects, and to provide the method for imposition, payment, and collection of this tax.

### REVENUE IMPACT <sup>1/</sup>

This bill, as amended, is not expected to impact state General Fund revenue in FY2008-09. This bill is expected to raise local municipal sales and use tax revenue by an estimated \$172,842,000 in FY2008-09.

### Explanation of Amendment (April 15, 2008) – By the House Sales & Income Tax Subcommittee

This amendment would not permit a county that currently levies a countywide local option capital projects sales and use tax from imposing by ordinance another capital projects sales and use tax within a municipality within that county. Currently, nine counties have enacted a local option capital projects sales tax – Aiken, Dillon, Florence, Greenwood, Hampton, Horry, Newberry, Orangeburg, and York counties. Based on the latest data from the South Carolina Department of Revenue (DOR), gross sales occurring within the municipal boundaries of these nine counties amounted to \$12,808,670,754 in FY2006-07. After subtracting this amount from total municipal gross sales of \$57,644,090,466, applying sales tax forecast growth rates from a lower base, and multiplying \$45,945,000,000 by 38 percent and applying a one percent local municipal sales and use tax rate, less a one percent DOR administrative fee, yields municipal capital projects sales and use tax revenue of an estimated \$172,842,000 in FY2008-09.

### Explanation of Bill filed January 8, 2008

This bill would add Article 9 to Chapter 10 of Title 4 entitled the “Municipal Capital Project Sales Tax Act” to allow a municipal governing body to impose by ordinance a sales and use tax not to exceed one percent to fund capital projects within a municipality. The revenues raised may be used to defray debt service on bonds issued to pay for capital projects authorized by the governing authority. The ordinance is subject to referendum approval by all qualified electors of the municipality. The sales and use tax would begin on May 1<sup>st</sup> following a favorable outcome in the referendum. The municipal capital projects sales tax would be in addition to all other local sales and use taxes and would exempt items subject to the maximum sales tax provisions in Section 12-36-2110 and the sale of unprepared food sold in grocery stores. Based on the latest data from the South Carolina Department of Revenue (DOR), gross sales occurring within municipal boundaries amounted to \$57,644,090,466 in FY2006-07. According to the U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Expenditure Survey*, thirty-eight percent of all spending by consumers is on items subject to the sales tax after adjusting for the exclusion of items subject to sales tax caps and unprepared food. Based on the Board of Economics Advisors’ sales tax growth rate estimates made on April 7, 2008, gross municipal sales are estimated to be \$59,000,000,000 in FY2008-09. Multiplying \$59,000,000,000 by 38 percent and applying a one percent local municipal sales and use tax rate, less a one percent DOR administrative fee, yields municipal capital projects sales and use tax revenue of an estimated \$221,958,000 in FY2008-09.

/s/ WILLIAM C. GILLESPIE, PH.D.

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<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.